

Sundaram-Clayton Limited



45th Annual Report 2007

Sundaram-Clayton Limited

Regd. Office : "Jayalakshmi Estates"
29 (Old No. 8), Haddows Road,
Chennai - 600 006.

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Name of the attending member _____

DP Id.* _____ Client Id* _____

Folio No.** _____ No. of shares _____

Name of proxy _____
(If proxy attends instead of member)

I hereby register my presence at the annual general meeting.

Venue : The Music Academy
168, (Old No. 306) T T K Road
Chennai 600 014

Date : 3rd October 2007

Time : 10.30 a.m.

Signature of member/proxy

* Applicable for investors holding shares in electronic form.

** Applicable for investors holding shares in physical form.

REQUEST TO MEMBERS

1. Members and their proxies/bodies corporate should bring the attendance slip duly filled in for attending the meeting.
2. Members are requested to avoid being accompanied by non-members and/or children.
3. Members are requested to bring their copies of annual report to the meeting as the company is unable to provide another copy in view of the increased cost of paper.
4. Members are requested to be in their seats at the meeting hall before the scheduled time for commencement of the annual general meeting to avoid interruption in the proceedings.
5. Members who are holding shares in physical form are requested to intimate the Share Transfer Department of the company changes, if any, in their registered address.
6. Members intending to appoint proxies are requested to complete the proxy form sent herewith and deposit the same with the Share Transfer Department, at least 48 hours before the time fixed for holding the meeting.
7. If you and/or your family members are receiving more than one copy of the annual report and other communications and would like to avoid duplication, kindly advise to enable us to mail only one copy. This will help us to avoid wastage.
8. In the case of shares held in electronic form, the beneficial owners are advised to bring the identity card issued by the depository participant.

Tear here

Sundaram-Clayton Limited

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Chennai - 600 006.

PROXY FORM

DP Id.* _____ Client Id.* _____ Folio No. ** _____

I/We _____ of _____ in the district of _____ being a Member/Members of SUNDARAM- CLAYTON LIMITED hereby appoint _____ of _____ in the district of _____ or failing him _____ of _____ in the district of _____ as my/our proxy to attend and vote for me/us on my/our behalf at the annual general meeting of the company to be held on Wednesday the 3rd October 2007 and at any adjournment thereof.

Signed this _____ day of _____ 2007.

For Office use

Proxy No.	
Date of receipt	
No. of shares	

Revenue
Stamp

N.B.: The instrument appointing proxy should be deposited with the Share transfer department at least 48 hours before the commencement of the meeting

* Applicable for investors holding shares in electronic form.

** Applicable for investors holding shares in physical form.

Please fill in the particulars, viz. Folio No./DP Id/Client Id as given in the address slip.



Sundaram-Clayton Limited

Board of Directors

SURESH KRISHNA
Chairman

VENU SRINIVASAN
Managing Director

GOPAL SRINIVASAN
Joint Managing Director

K MAHESH

T K BALAJI

Dr CHRISTIAN WIEHEN

NIKHIL MADHUKAR VARTY

LEON LIU

D E UDWADIA

D D UDESHI

PASCALE F. RAHMAN

VICE ADMIRAL P J JACOB (Retd.)

K S SHAH
Alternate to Leon Liu

Executive Director

H LAKSHMANAN

President - Automotive Products

C N PRASAD

Senior Vice President - Finance

V N VENKATANATHAN

Secretary

S MURALIDHARAN

Audit Committee

VICE ADMIRAL P J JACOB (Retd.)
Chairman

D E UDWADIA

T K BALAJI

K S SHAH

Investors' Grievance Committee

SURESH KRISHNA
Chairman

VENU SRINIVASAN

T K BALAJI

K MAHESH

Bankers

STATE BANK OF INDIA
Corporate Accounts Group Branch
Greens Dugar
Greens Road
Chennai 600 006

STATE BANK OF MYSORE
Whites Road Branch
Chennai 600 014

Auditors

SUNDARAM & SRINIVASAN
Chartered Accountants
23 Sir C P Ramaswamy Road
Alwarpet, Chennai 600 018.

Listing of shares with :

Madras Stock Exchange Ltd., Chennai.
The National Stock Exchange of India Ltd.,
Mumbai.
Bombay Stock Exchange Ltd, Mumbai.

Registered Office

"Jayalakshmi Estates"
29 (Old No.8) Haddows Road
Chennai 600 006
Tel : 044-28272233
Fax: 044-28257121

Factories

Padi, Chennai 600 050
Ambattur, Chennai 600 058
Belagondapalli, Hosur - 635 114

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Sundaram-Clayton Limited



FINANCIAL HIGHLIGHTS INCLUDING SELECTED INDICATORS AND RATIOS

Rupees in crores

Year ended	1998*	1999	2000	2001	2002	2003	2004	2005	2006	2007
Profit and Loss Account										
Sales	130.0	160.0	231.8	240.6	246.8	299.1	417.4	536.3	629.3	816.2
Other income	9.4	13.2	14.6	14.6	18.3	24.2	28.4	32.5	45.3	48.6
Total income	139.4	173.2	246.4	255.2	265.1	323.3	445.8	568.8	674.6	864.8
Gross profit before interest, depn and tax (EBITDA)	17.1	26.2	38.9	34.9	41.5	59.0	82.1	101.6	141.1	176.1
Depreciation	4.1	5.8	8.0	9.5	10.9	12.0	15.3	21.4	26.9	32.8
Profit before interest & tax	13.0	20.4	30.9	25.4	30.6	47.0	66.8	80.2	114.2	143.3
Interest	0.4	(0.6)	0.6	1.5	1.3	(1.3)	0.5	3.8	7.9	15.2
Profit before tax	12.6	21.0	30.3	23.9	29.3	48.3	66.3	76.4	106.3	128.1
Profit after tax	6.9	18.7	22.7	17.7	21.9	36.1	46.0	53.4	75.3	91.6
Balance Sheet										
Net fixed assets	52.7	64.9	85.1	96.2	99.6	124.8	183.8	275.1	302.5	326.4
Investments	48.4	43.5	43.0	43.0	48.3	43.2	55.0	57.1	71.0	82.3
Net current assets	21.9	30.4	44.7	46.2	24.5	28.1	23.3	30.4	77.4	170.6
Total	123.0	138.8	172.8	185.4	172.4	196.1	262.1	362.6	450.9	579.3
Share capital	18.9	18.9	18.9	18.9	18.9	18.9	18.9	18.9	18.9	18.9
Reserves & surplus	94.8	107.2	122.6	134.0	135.5	158.2	187.1	221.1	270.5	325.2
Net worth	113.7	126.1	141.5	152.9	154.4	177.1	206.0	240.0	289.4	344.1
Loan funds	9.3	12.7	31.3	32.5	9.6	8.9	44.8	109.2	146.1	215.8
Deferred taxation (net)	-	-	-	-	8.4	10.1	11.3	13.4	15.4	19.4
Total	123.0	138.8	172.8	185.4	172.4	196.1	262.1	362.6	450.9	579.3
EPS (Rs) @	3.66	9.86	11.95	9.36	11.52	19.00	24.25	28.16	39.26	48.06
DPS (Rs) @	2.00	3.00	3.50	3.00	6.00	6.50	8.00	9.00	12.00	17.00
Book value per share (Rs) @	59.98	66.51	74.59	80.63	81.41	93.40	108.63	126.53	152.57	181.41
Return on capital employed (ROCE) %	12.7#	15.6	19.9	14.2	17.1	25.5	29.2	25.7	28.1	27.8
Return on net worth (RONW) %	7.3#	15.6	16.9	12.1	14.2	21.7	24.0	23.9	28.5	28.9
Fixed assets turnover (no of times)	3.0#	2.7	3.1	2.7	2.5	2.7	2.7	2.3	2.2	2.6
Working capital turnover (no of times)	6.2#	6.1	6.2	5.3	7.0	11.4	16.2	20.0	11.7	6.6
EBITDA as % of sales	13.1	16.4	16.8	14.5	16.8	19.7	19.7	18.9	22.4	21.6
EBITDA as % of total income	12.3	15.1	15.8	13.7	15.7	18.3	18.4	17.9	20.9	20.4
Net profit as % of total income	5.0	10.8	9.2	7.0	8.2	11.2	10.3	9.4	11.2	10.6

@ Adjusted for bonus issue. # figures are annualised

ROCE is profit before interest and taxation divided by average networth plus loan funds.

RONW is profit after tax divided by average network.

Fixed assets turnover is sales divided by average net fixed assets as at the end of the year.

Working capital turnover is sales divided by average net current assets as at the end of the year.

* Figures for ten months ended 31st March 1998.



Sundaram-Clayton Limited

Notice to the Shareholders

NOTICE is hereby given that the forty fifth annual general meeting of the company will be held at 'The Music Academy', New No.168 (Old No.306), TTK Road, Chennai 600 014 on Wednesday, the 3rd October 2007 at 10.30 a.m to transact the following business:

ORDINARY BUSINESS

1. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT the audited balance sheet as at 31st March 2007 and the profit and loss account of the company for the year ended on that date, together with the directors' report and the auditors' report thereon as presented to the meeting be and the same are hereby approved and adopted.

2. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT pursuant to the recommendation of the board of directors of the company, a final dividend of Rs.2/- per share on 1,89,67,584 equity shares of Rs.10/- each fully paid up absorbing a sum of Rs.3.80 crores be and is hereby declared for the year ended 31st March 2007 and the same be paid to those shareholders whose name appear in the register of members of the company as at the close of 27th September 2007.

3. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT Mr Gopal Srinivasan, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

4. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT Mr T K Balaji, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

5. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT Mr K Mahesh, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

6. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT Mr Leon Liu, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

7. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

RESOLVED THAT the retiring auditors Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby

re-appointed as auditors of the company to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting of the company on such remuneration as may be fixed in this behalf by the board of directors of the company.

By order of the board
S MURALIDHARAN
Secretary

Chennai
10th August 2007

Registered office:
"Jayalakshmi Estates"
29, (Old No.8), Haddows Road
Chennai 600 006

Notes:

- A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members, as the case may be, of the company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for holding the meeting.**
 - The register of members and the share transfer register will remain closed for a period of six days from 28th September 2007 to 3rd October 2007. (both days inclusive).
 - Subject to the provision of Section 206A of the Companies Act, 1956, dividend, as recommended by the Board of Directors, if declared at the meeting, will be paid on or after 3rd October 2007 to the Shareholders whose names appear in the Register of Members as at the close of 27th September 2007.
 - In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends declared by the company, which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF), established by the Central Government on the due dates. The particulars of due dates for transfer of such unclaimed dividends to IEPF are furnished in the report on Corporate Governance.
- Members who have not encashed their dividend warrants in respect of the above period are requested to make their claim by surrendering the unencashed warrants immediately to the company.
- Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.

Sundaram-Clayton Limited

6. Members are requested to notify to the company immediately any change in their address. Members holding shares in depository are requested to advise change of address to their depository participants.
7. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are, therefore, requested to bring their copies of the annual report to the meeting.
8. Members are requested to affix their signature at the space provided on the attendance slip annexed to proxy form and hand over the slip at the entrance of the meeting hall.
9. In terms of clause 49 (IV)(G) of the Listing Agreement with the stock exchanges, a brief resume of directors, proposed to be reappointed in this meeting, nature of their expertise in specific functional areas, their other directorships and committee memberships and their shareholdings in the company are given below:

I. Mr Gopal Srinivasan

Born on 4th August, 1958, Mr Gopal Srinivasan is a commerce graduate from Loyola College, Chennai and is a Master of Business Administration (Industrial and Business Administration) from the University of Michigan, Ann Arbor, USA.

He is the past president of Manufacturers' Association for Information Technology and has been representing IT industry in the country and negotiating with the Government of India on its policies. He is also a member of the panel on development, manufacture and export of IT hardware constituted under the National Task Force on Information Technology and Software Development constituted under the authority of the office of the Prime Minister and a member of the State Level Information Technology Task Force headed by the Chief Minister of Tamil Nadu. He is a member of the small group set up by the Commerce and Industry Minister, Government of India to suggest policy and procedural changes to bring about a quantum jump in the export of electronic hardware.

He is currently the Chairman of the Tamil Nadu State Council of Confederation of Indian Industry (CII).

He was awarded "Electronics Man of the Year – 2004" by "Electronics for You" magazine in 2004 and also by ELCINA for the year 1996-97. He was also served as a key member in various panels of both Central and State Governments.

He is serving as director of the company since 29th November 1985.

He is a member of the administrative committee of directors of the company. Details of his other directorships and membership of committees are given below:

S. No.	Name of the company	Position held	Committee membership/ chairmanship
1.	Harita TVS Technologies Inc., USA	Director	Shareholders/ Investors' Grievance Committee - Member
2.	Hariita TVS Technologies Limited	Chairman	
3.	ICICI Venture Funds Managing Company Limited	Director	
4.	Lucas TVS Limited	Director	
5.	Sundaram Industries Limited	Director	
6.	Sundaram Investment Limited	Director	
7.	T V Sundram Iyengar & Sons Limited	Director	
8.	TVS Electronics Limited	Wholetime director	
9.	TVS Finance and Services Limited	Chairman	
10.	TVS Investments Limited	Chairman	
11.	TVS Logistics Services Limited	Director	
12.	TVS Motor Company Limited	Director	
13.	TVS-E Servicetec Limited	Director	
14.	Harita Techserv Limited	Director	
15.	TVS Venture Capital Limited	Director	
16.	Harita Electronics Private Limited	Director	
17.	Vignani Technologies Private Limited	Director	

He holds 66 shares in the company.

II. T K Balaji

Born on 12th July 1948, Mr T K Balaji is a Bachelor of Engineering, securing first rank from Madras University and is also a Master of Business Administration from IIM Ahmedabad with a Gold medal for outstanding scholastic performance.

Mr T K Balaji is a member of Development Council for Automobiles & Allied Industries, Government of India. He is the past president of Automotive Component Manufacturers Association of India (ACMA). He had served on the CII national council for a number of years. He was conferred a Special Award by the FIE Foundation of Maharashtra in March 1995 in recognition of his contribution to the development of automotive component industry.

He is serving as director of the company since 28th November 1984.

He is a member of the Audit Committee and Investors' grievance committee of directors of the Company.

Details of his other directorships and membership/chairmanship of committees are given below:



Sundaram-Clayton Limited

S. No.	Name of the company	Position held	Committee membership/ chairmanship
1.	TVS Motor Company Limited	Director	Audit Committee - Member
2.	India Nippon Electrials Limited	Chairman	Investors' Grievance Committee - Member
3.	Lucas TVS Limited	Managing director	
4.	Delphi-TVS Diesel Systems Limited	Managing director	
5.	Lucas Indian Service Limited	Director	
6.	TVS Electronics Limited	Director	Investors' Grievance Committee - Member
7.	T V Sundram Iyengar & Sons Limited	Director	
8.	Titan Industries Limited	Director	Audit Committee - Member Remuneration Committee - Chairman
9.	Apollo Hospitals Enterprise Limited	Director	
10.	TVS Automotive Systems Limited	Director	
11.	India Japan Lighting Private Limited	Chairman	
12.	Harita Electronics Private Limited	Director	
13.	Hasstham Swasthi Private Limited	Director	
14.	Punarvasu Swasthi Private Limited	Director	

He does not hold any share in the company.

III. Mr K Mahesh

Born on 11th October 1943, Mr K Mahesh is a B.Tech graduate in metallurgy. He is the past president of Automotive Component Manufacturers Association of India and also the past chairman of ACMA Centre for Technology. He is the founder trustee of TSK Memorial Trust. He was the member of the National Council of Confederation of Indian Industry.

He is serving as director of the company since 28th July 1975.

He is a member of the Investors' grievance committee of directors of the Company. Details of his other directorships and membership/ chairmanship of committees are given below:

S. No.	Name of the company	Position held	Committee membership/ chairmanship
1.	Sundaram Brake Linings Limited	Chairman and Managing Director	Investors' Grievance Committee - Member
2.	Sundaram Textiles Limited	Director	
3.	Sundaram Industries Limited	Director	
4.	T V Sundram Iyengar & Sons Limited	Wholetime Director	
5.	Southern Roadways Limited	Director	
6.	TVS Global Trade Private Limited	Director	

He holds 243 equity shares of the Company.

IV. Mr Leon Liu

Born on 13th November 1961, Mr Leon Liu is WABCO Vehicle Control Systems' regional president for the Asia Pacific (APAC) business unit. Leon is responsible for WABCO's business objectives in Asia Pacific and he leads the team that drives regional business, integrates local market needs and requirements and implements strategies aligned with product and aftermarket business units.

Mr Leon Liu brings nearly 18 years of U.S and Asia Pacific Automotive Engineering and Tier 1 Supplier experience to WABCO. His career began with major Japanese Tier 1 suppliers, then progressed to Ford Motor Company and Visteon Corporation where he held management positions of increasing responsibility in product development, product launches, program management, corporate strategy and business development. Mr Leon Liu joined WABCO after serving as Visteon's director of business planning and strategy for the company's Asia operations.

A native of China, Mr Leon Liu earned a bachelor's degree in engineering from China East University, Shanghai, China; a master's degree in business administration in general management from Michigan State University, East Lansing, Mich., U.S and a Ph.D in materials science and engineering from the Tokyo Institute of Technology in Japan. He is fluent in Japanese, English and Chinese.

He is not a member of any committee of directors of the company. Details of his other directorships are given below.

S. No.	Name of the company	Position held
1	WABCO Korea Limited	Director
2	Shandong Weiming Automotive Product Co Ltd	Chairman/Director
3	WABCO China Co Limited	Chairman/Director
4	WABCO Japan Inc.,	Director

He does not hold any share in the company.

Sundaram-Clayton Limited



Directors' report to the shareholders

The directors herewith present the forty fifth annual report and the audited accounts for the year ended 31st March 2007.

2. FINANCIAL HIGHLIGHTS

Details	Rs. in crores	
	Year ended 31.03.2007	Year ended 31.03.2006
Sales and other income	864.81	674.60
Gross profit before interest and depreciation	176.11	141.11
Interest -Net	15.24	7.89
Depreciation	32.79	26.90
Profit before tax	128.08	106.32
Provision for taxation (including deferred tax and fringe benefit tax)	36.92	31.85
Profit after tax	91.16	74.47
Add: Tax relating to earlier years	0.52	0.85
	91.68	75.32
Surplus brought forward from previous year	26.83	21.46
Total	118.51	96.78
Appropriations:		
First Interim dividend paid	13.28	11.38
Second Interim dividend paid	15.17	11.38
Proposed dividend	3.80	-
Tax on dividend	4.64	3.19
Transfer to general reserve	40.39	44.00
Surplus in profit & loss account	41.23	26.83
	118.51	96.78

3. DIVIDEND

During the year, the board of directors declared two interim dividends of Rs.7/- per share on 30th October 2006 and Rs.8/- per share on 21st March 2007, thus totaling Rs.15/- per share (i.e. 150%) absorbing in the aggregate a sum of Rs.28.45 crores.

The board of directors have recommended a final dividend of Rs.2/- per share (i.e. 20%) for the year ended 31st March 2007, absorbing a sum of Rs.3.80 crores for approval of the shareholders in the ensuing annual general meeting.

4. PERFORMANCE

During the year under review, the vehicle industry continued the positive growth. The production of medium/heavy commercial vehicles (MCV/HCV), passenger cars and two wheelers registered a growth of 34%, 18% and 11% respectively over the previous year 2005-06. The production of light commercial vehicles (LCV) registered a growth of 31% during the same period.

Against this backdrop, the Brakes division of the company achieved a turnover of Rs.487 crores as against Rs.409 crores during 2005-06. The increase was mainly driven by continued increase in sales to original equipment manufacturers, namely Tata Motors, Ashok Leyland and Eicher in view of their increased production of HCV/MCV, increase in content per vehicle and sales to after-market.

During the year 2006-07, the die casting division of the company sold 19,541 tonnes as against 16,320 tonnes in 2005-06 registering a growth of 20% (by tonnage). The export sales also increased from Rs.76 crores in 2005-06 to Rs.132 crores in 2006-07, recording a growth of 74%. This was due to the increased export sales to Cummins, Volvo and their subsidiaries.

5. SCHEME OF ARRANGEMENT

With the announcement of liberalization policies by the Government and globalization of businesses, the foreign promoters of the company, namely the American Standard Inc., are providing updated technology in air brake systems required by Indian commercial vehicle manufacturers. They are also interested in utilizing the Company as one of its sources for meeting their global requirements.

Similarly, the Non-brakes business of the company, viz., aluminium die casting business needs focused attention particularly considering the growing export markets.

Taking these into consideration, the board of directors of the company decided to reorganize the business activities by demerging the brakes business into a wholly owned subsidiary of the company, presently named WABCO-TVS (INDIA) LIMITED so that the two businesses will have independent management attention.

The board of directors of the company, at their meeting held on 14th May 2007, approved a Scheme of Arrangement in terms of section 391-394 of the Companies Act, 1956 for demerging the brakes business with WABCO-TVS (INDIA) LIMITED, from the appointed date, namely 1st January 2007, subject to the approval of the shareholders of both the companies and other regulatory authorities and approval of the Hon'ble High Court of Madras.

The Company has filed the draft Scheme of arrangement with the Stock Exchanges and on their approval, will file the Scheme with the Hon'ble High Court of Madras. On the directions of the Hon'ble High Court, a special shareholders meeting will be held to consider and approve the Scheme of Arrangement.

6. OUTLOOK

The HCV/MCV vehicle sale is expected to register a negative growth (-15%) during 2007-2008. The factors that are likely to impact the growth of the industry are rising input costs of commercial vehicles, increase in interest rates, slowdown in overall economy besides loss of share of freight transport to railways. However, the following factors may help the growth of MCV/HCV vehicle sale, namely increased activity in construction and road sector (national highway projects such as North-South and East-West corridors, port connectivity projects) and effective implementation of 'ban on overloading'. Passenger car and two wheeler segments are likely to register a growth of 10% and 2% respectively over 2006-07.

The brakes business of the company is geared up to meet any extra demand that would be generated by HCV/MCV segments both in respect of volume and upgraded technology products. The business of the die casting division is expected to grow by 14% due to increased sale of machined castings. This growth is mainly to come from the ramp-up of new business from overseas customers.



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7. CAPITAL EXPENDITURE

During 2007-2008, the company proposed to make additional investments of Rs.96 crores in brakes business and Rs.95 crores in die casting business taking into account the long term business prospects and export orders. The company has planned to meet this outgo partly by internal accruals and partly by low cost rupee loans and foreign currency loans.

8. SUBSIDIARIES

During the year under review, the company disinvested its entire investments held in M/s Harita Stocks Limited (HSL) in favour of another wholly owned subsidiary of the company, namely M/s Anusha Investments Limited (AIL). As both these companies are engaged in similar business activities, namely investment, the board of directors of these companies decided to amalgamate HSL with AIL to achieve synergies in business activities and eliminate duplication of costs of administration under a scheme of amalgamation.

After completing the required legal formalities in terms of section 391-394 of the Companies Act, 1956, the Hon'ble High Court of Madras sanctioned the said scheme of amalgamation vide its order dated 9th March 2007 and dissolved HSL in pursuance of the said scheme. Accordingly, the HSL ceased to be a subsidiary of the company from the effective date, namely 30th March 2007.

During the year under review, AIL acquired the entire paid up capital of M/s Padi Automotive Systems Limited (PASL) (formerly known as Padi Air Brake Systems Limited) consisting of 50,000 equity shares of Rs.10/- each on 22nd December 2006 and thereby it became a wholly owned subsidiary of AIL. PASL, by virtue of the provisions of section 4(1)(c) of the Companies Act, 1956, became a subsidiary of the company effective that date. PASL is yet to commence its business activities.

During the year under review, the Company was allotted 46,25,000 equity shares of Rs.10/- each at a premium of Rs.10/- per share, aggregating to Rs.9.25 crores, by the wholly owned subsidiary of the company, namely TVS Investments Limited (TVSI), for transfer of lands owned by the company.

M/s TVS Investments Limited and M/s TVS Electronics Limited, Chennai, subsidiaries of the company, have promoted the following new companies as their wholly owned subsidiaries, TVS-E Access India Limited effective 27th April 2007 and TVS-E Servicetec Limited effective 17th May 2007 respectively with an initial capital of Rs.5 lakhs each.

These newly promoted companies proposed to engage in the activities of customer support services, distribution, trading and dealing, repair and maintenance and other services relating to computers, electronic power, telecommunication, software and other products. These companies are yet to commence their business activities.

During the year, the name of the wholly owned subsidiary of the company, namely Auto (India) Engineering Limited was changed to WABCO-TVS (INDIA) LIMITED effective 3rd May 2007, to which the brakes business of the company is planned to be demerged as explained in this report earlier.

As on date of this report, the following are the subsidiaries of the company:

S.No	Name of the company	Subsidiary of
1.	Anusha Investments Limited	Sundaram-Clayton Limited
2.	Padi Automotive Systems Limited	Anusha Investments Limited
3.	WABCO-TVS (INDIA) Limited (formerly known as Auto (India) Engineering Limited)	Sundaram-Clayton Limited
4.	TVS Motor Company Limited	Sundaram-Clayton Limited
5.	TVS Motor (Singapore) Pte Limited	TVS Motor Company Limited
6.	TVS Motor Company (Europe) B.V	TVS Motor Company Limited
7.	PT TVS Motor Company Indonesia	TVS Motor Company (Europe) B.V
8.	Sundaram Auto Components Ltd	TVS Motor Company Limited
9.	TVS Investments Limited	Sundaram-Clayton Limited
10.	TVS Electronics Limited	TVS Investments Limited
11.	TVS Finance and Services Limited	TVS Investments Limited
12.	TVS-E Access India Limited	TVS Investments Limited
13.	Sravanaa Properties Limited	TVS Electronics Limited
14.	TVS-E Servicetec Limited	TVS Electronics Limited

9. CONSOLIDATED ACCOUNTS

In terms of Accounting Standard 21 prescribed by the Institute of Chartered Accountants of India, the accounts of the subsidiaries are consolidated with the accounts of the company and the consolidated accounts form part of this report, except the subsidiaries, namely TVS-E Access India Limited and TVS-E Servicetec Limited, which have become subsidiaries on 27th April 2007 and 17th May 2007 respectively and would be closing their first year of accounts only in March 2008.

An application in terms of Section 212(8) of the Companies Act, 1956 was made to the Central Government, seeking exemption from attaching the balance sheet and profit and loss account of the subsidiaries alongwith the report of the board of directors and that of the auditors' thereon, with the company's accounts.

The Central Government vide its letter No.47/218/2007 CL-III dated 9th July 2007 granted exemption from attaching the audited accounts and reports of the subsidiaries with that of the company for the year ended 31st March 2007. This would help the company to save considerable costs in printing and mailing.

As directed by the Central Government, the company is presenting the consolidated financial statements of each of its subsidiary duly audited by the statutory auditors.

The annual accounts of the subsidiaries and the related detailed information will be made available, at any point of time, to the investors of both the holding and the subsidiary companies upon seeking such information.